Medicare Long-Term Care Hospital Prospective Payment System

Final Payment Rule Brief Provided by the Wisconsin Hospital Association
Program Year: FFY 2025

Overview and Resources

On August 1, 2024, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2025 final payment rule for the Medicare Long-Term Care Hospital Prospective Payment System (LTCH PPS). The final rule reflects the annual update to the Medicare fee-for-service (FFS) LTCH payment rates and policies.

A set of the resources related to the LTCH PPS is available on the CMS website at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/index.html.

An online version of the final rule is available at https://www.federalregister.gov/d/2024-17021.

Program changes set by CMS are effective for discharges on or after October 1, 2024, unless otherwise noted. CMS estimates the overall economic impact of this final rule update to be an increase of $45 million in LTCH PPS payments in FFY 2025 over FFY 2024.

Note: Text in italics is extracted from the *Federal Register* version of the final rule released August 1, 2024.

LTCH Payment Rate

Federal Register pages 69431–69451 and 69972–69973

Only LTCH discharges that meet certain clinical criteria (detailed below) will continue to be paid at the standard LTCH PPS payment rates. LTCH discharges that do not meet the established clinical criteria will continue to be paid the lower site-neutral payment rates (with some specified exclusions), which are based on the inpatient PPS (IPPS) rates and are the lesser of either the IPPS comparable per diem amount, including any outlier payments, or 100 percent of the estimated cost of the case. The IPPS comparable per diem payment amount is capped at the lower of the IPPS comparable per diem amount and the full comparable amount to what would otherwise be paid under IPPS.

CMS uses the following criteria in order to identify cases eligible for a standard LTCH PPS payment:

- The LTCH discharge does not have a principal diagnosis relating to a psychiatric diagnosis or to rehabilitation;
- A case must be "immediately discharged" from an IPPS hospital. This immediate discharge will be evidenced by the dates of discharge and admission to the LTCH; and
- One or both of these criteria:
    - Must receive at least three days of care in an intensive care unit (ICU) or critical care unit (CCU) during the prior hospital stay. CMS will use the full set of ICU and CCU revenue codes when counting a patient's ICU and CCU days during the prior acute care hospital stay; and/or
    - The patient received at least 96 hours of ventilator services in the LTCH stay.

Cases paid at the site neutral rate and those paid by Medicare Advantage are excluded when calculating whether an LTCH or LTCH satellite meets the existing greater than 25-day average length of stay requirement.

In addition, the Bipartisan Budget Act of 2018 reduces the IPPS comparable amount in the site neutral payment rate calculation by 4.6% for FFYs 2018–2026.

The LTCH discharge payment percent is the percent of all Medicare FFS discharges that are paid the standard LTCH payment rate, and not the site neutral payment rate.

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The IPPS equivalent payment rate is mandated for ALL discharges for LTCHs that fail to meet the applicable discharge threshold in the prior FFY (less than 50% of patients for whom the standard LTCH PPS payment is made).

Incorporating the final updates and the effects of budget neutrality adjustments, the table below lists the finalized LTCH standard federal rate for FFY 2025 compared to the rate currently in effect:

	Final FFY 2024	Final FFY 2025	Percent Change
LTCH Standard Federal Rate	**$48,116.62**	**$49,383.26** (proposed at $49,262.80)	**2.63%** (proposed at 2.38%)

The table below provides details of the finalized updates for the LTCH standard federal rate for FFY 2025:

	LTCH Rate Updates and Budget Neutrality Adjustments
Market Basket Update	**+3.5%** (proposed at +3.2%)
ACA Pre-Determined Adjustment	**-0.5 percentage points (PPT)** (proposed at -0.4 PPT)
Wage Index Budget Neutrality Adjustment	**0.9964315** (proposed at 0.9959347)
Overall Rate Change	**2.63%** (proposed at +2.38%)

Revising and Rebasing of the LTCH Market Basket

Federal Register pages 69435–69451 and 69975

CMS periodically rebases the market basket to reflect the changes in the goods and services needed to furnish LTCH services. CMS will rebase and revise the LTCH market-basket to reflect a FFY 2022 base year, beginning with FFY 2025, rather than the current FFY 2017 base year.

Wage Index and Labor-Related Share

Federal Register pages 69451–69455 and 69973–69978

As in prior years, CMS will continue to use the most recent inpatient hospital wage index, the FFY 2025 pre-rural floor, pre-reclassified hospital wage index, to adjust payment rates under the LTCH PPS for FFY 2025.

The wage index, which is used to adjust payment for differences in area wage levels, is applied to the portion of the LTCH standard federal rate that CMS considers to be labor-related. CMS estimated the labor-related portion of the LTCH standard federal rate, using the 2022-based LTCH market basket. Based on updates to the market basket value, CMS is adopting an increase to the labor-related share from 68.5% for FFY 2024 to 72.8% for FFY 2025 (as proposed).

CMS applies a 5% cap on any decrease to the LTCH wage index, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner. This also means that if an LTCH's prior FFY wage index is calculated with the application of the 5% cap, the following year's wage index will not be less than 95% of the LTCH's capped wage index in the prior FFY. A new LTCH is paid the wage index for the area in which it is geographically located for its first full or partial FFY with no cap applied, because a new LTCH will not have a wage index in the prior FFY.

CMS also applies the 5% permanent cap on the IPPS comparable wage indexes as well for the calculation of site-neutral payments with the same stipulations, but not applied in a budget neutral manner.

On July 21, 2023, the Office of Management and Budget (OMB) issued OMB Bulletin No. 23-01 (https://www.whitehouse.gov/wp-content/uploads/2023/07/OMB-Bulletin-23-01.pdf) that made a number of

significant changes related Core Based Statistical Area (CBSA) delineations. To align with these changes, CMS will adopt the newest OMB delineations for the FFY 2025 LTCH PPS wage index. Therefore, 54 counties that are currently part of an urban CBSA would be considered located in a rural area (including one urban county in Connecticut that is being redesignated to a newly adopted rural CBSA), listed on *Federal Register* page 69257, and 54 counties that are currently located in rural areas would be considered located in urban areas, listed on *Federal Register* pages 69259. Since CMS already applies a 5% cap on wage index losses from year to year (described above), CMS does not believe any additional transition for LTCHs is necessary.

CMS is adopting a wage index and labor-related share budget neutrality factor of 0.9964315 for FFY 2025 to ensure that aggregate payments made under the LTCH PPS are not greater or less than would otherwise be made if wage adjustments had not changed. This budget neutrality factor also includes the impact of the 5% cap on LTCH wage index decreases.

Updates to the Medicare Severity-Long Term Care-Diagnosis Related Groups (MS-LTC-DRG)

Federal Register pages 69422–69430

Each year, CMS updates the MS-LTC-DRG classifications and relative weights. These updates are made to reflect changes in treatment patterns, technology, and any other factors that may change the relative use of hospital resources. Although the DRGs used to classify patients under the LTCH PPS are the same as those used under IPPS, the relative weights are different for each setting. The MS-LTC-DRG relative weights are determined using only data from LTCH discharges that meet the criteria for exclusion from the site neutral payment rate (that is, LTCH PPS standard federal payment rate cases). CMS will continue to use its existing methodology to determine the MS-LTC-DRG relative weights.

CMS will continue to apply a 10% cap on the reduction of a MS-LTC-DRG's relative weight in a given year compared to the weight in the previous year to MS-LTC-DRGs with at least 25 applicable LTCH cases in the claims data used to calculate the relative weights for the FFY. CMS will implement the cap in a budget neutral manner, with a budget neutrality factor applied directly to the MS-LTC-DRG weights.

The full list of final MS-LTC-DRGs for FFY 2025 can be found at: https://www.cms.gov/files/zip/fy-2025-ms-ltc-drg-file-table-11.zip.

High Cost Outlier (HCO) Payments

Federal Register pages 69981–69987

HCO payments were established under the LTCH PPS to provide additional payments for very costly cases. Outlier payments are made if the estimated cost of the case exceeds the payment for the case plus a fixed-loss amount. Costs are determined by multiplying the facility's overall cost-to-charge ratio (CCR) by the allowable charges for the case. When a case qualifies for an outlier payment, CMS pays 80% of the difference between the estimated cost of the case and the fixed-loss amount as a separate outlier payment, in addition to the traditional DRG payment.

If an LTCH's CCR is higher than the LTCH total CCR ceiling, the LTCH is assigned the statewide average CCR, which would then be used in the HCO formula. CMS is adopting a total CCR ceiling of 1.368 for FFY 2025 for both LTCH PPS standard federal payment rate cases and site neutral payment rate cases.

There are two separate HCO targets— one for LTCH PPS standard federal payment rate cases and one for site neutral payment rate cases. Under the two-tiered system, there is an 8.0% HCO target for standard LTCH PPS cases using only standard LTCH cases. For site neutral cases, CMS uses a 5.1% target, the same as the operating IPPS target.

In the FFY 2025 proposed rule, CMS proposed a threshold of $90,921, which was recognized as being significantly higher than the previous fixed-loss amount for FFY 2024 ($59,873). CMS solicited comments on modifying the methodology for determining the threshold. Specifically, CMS considered establishing the FFY 2025 fixed-loss threshold as an average of the FFY 2024 threshold and the $90,921 calculated FFY 2025

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threshold, which would have made the threshold $75,397. Using the best available data from the March 2024 update of the FFY 2023 MedPAR file and March 2024 update of the Provider Specific File, CMS finalized the fixed-loss amount for FFY 2025 as $77,048. The full methodology for the calculation can be found on *Federal Register* pages 69984–69986.

CMS is also adopting an increase to the fixed-loss threshold for cases paid under the site neutral payment rate from $42,750 in FFY 2024 to $46,152 in FFY 2025 (proposed at $49,237). This fixed-loss amount for site-neutral payment rate cases is the same as the FFY 2025 IPPS fixed-loss amount.

CMS will continue to make an additional HCO payment for the cost of a case that exceeds the HCO threshold amount that is equal to 80 percent of the difference between the estimated cost of the case and the outlier threshold (the sum of the fixed-loss amount and the amount paid under the SSO policy) for both LTCH standard cases and site-neutral cases.

To ensure that estimated HCO payments payable to site-neutral payment rate cases would not result in any increase in aggregated payments, CMS will continue to apply a budget neutrality adjustment that reduces site-neutral payment rate by 5.1% in FFY 2025, which is the same as FFY 2024. CMS will apply the 5.1% only to the non-HCO portion of the site-neutral rate payment amount.

Short-Stay Outlier (SSO) Payments

SSO payments were established under the LTCH PPS to ensure that LTCH payments, which are predicated on long lengths of stay (LOS), are not applied to cases where the patient may have received only partial treatment at a LTCH. A SSO case is a covered length of stay that is less than or equal to five-sixths of the geometric average length of stay for a specific MS-LTC-DRG. Generally, the average length of stay for an LTCH is 25 days. CMS did not adopt any major changes to the SSO policy.

Updates to the LTCH Quality Reporting Program (LTCH QRP)

Federal Register pages 69581–69600

Beginning in FFY 2014, the applicable annual update is reduced by two percentage points for any LTCH that does not meet the QRP requirements.

The following table lists the previously adopted LTCH QRP measures and payment determination years.

Measure	NQF #	Finalized Cross-Setting Measure	Payment Determination Year
National Healthcare Safety Network (NHSN) Catheter-Associated Urinary Tract Infection (CAUTI) Outcome Measure	#0138		FFY 2015+
NHSN Central Line-Associated Blood Stream Infection (CLABSI) Outcome Measure	#0139		FFY 2015+
Influenza Vaccination Coverage among Healthcare Personnel	#0431		FFY 2016+
NHSN Facility-Wide Inpatient Hospital-Onset Clostridium difficile Infection (CDI) Outcome Measure	#1717		FFY 2017+
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay)	#0674	Yes	FFY 2018+
Functional Outcome Measure: Change in Mobility among LTCH Patients Requiring Ventilator Support	#2632		FFY 2018+
Medicare Spending Per Beneficiary (MSPB) – Post Acute Care (PAC) LTCH Quality Reporting Program (QRP)	N/A	Yes	FFY 2018+
Discharge to Community – Post Acute Care PAC LTCH QRP	N/A	Yes	FFY 2018+
Potentially Preventable 30-Day Post-Discharge Readmission Measure for LTCH QRP	N/A	Yes	FFY 2018+
Drug Regimen Review Conducted With Follow-Up for Identified Issues- PAC LTCH QRP	N/A	Yes	FFY 2020+
Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury	N/A		FFY 2020+

Compliance with Spontaneous Breathing Trial (SBT) by Day 2 of the LTCH Stay	N/A		FFY 2020+
Ventilator Liberation Rate	N/A		FFY 2020+
Transfer of Health Information to the Provider Post-Acute Care	N/A		FFY 2022+
Transfer of Health Information to the Patient Post-Acute Care	N/A		FFY 2022+
COVID-19 Vaccination Coverage among Healthcare Personnel (HCP)	N/A		FFY 2023+
Discharge Function Score	N/A		FFY 2025+
COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date	N/A		FFY 2026+

CMS did not adopt any new measures for the LTCH QRP.

Separately, CMS will require LTCHs to report four new items to the LTCH Continuity Assessment and Record of Evaluation (CARE) Data Set (LCDS) social determinants of health category beginning with the FFY 2028 LTCH QRP:

- Living Situation – “What is your living situation today?”
- Food – “Within the past 12 months, you worried that your food would run out before you got money to buy more.”
- Food – “Within the past 12 months, the food you bought just didn’t last and you didn’t have money to get more.”
- Utilities – “In the past 12 months, has the electric, gas, oil, or water company threatened to shut off services in your home?”

Additionally, CMS will modify the Transportation item of the LCDS dataset beginning with the FFY 2028 LTCH QRP from “Has lack of transportation kept you from medical appointments, meetings, work, or from getting things needed for daily living?” to “In the past 12 months, has lack of reliable transportation kept you from medical appointments, meetings, work or from getting things needed for daily living?” in order to distinguish the look back period and to simplify response options. In addition, the revised assessment item will be collected at admission only, which will decrease provider burden since the current assessment item is collected at both admission and discharge.

LTCHs will be required to report these items beginning with patients admitted on October 1, 2026.

Lastly, CMS will extend the admission assessment window for the LCDS from three days to four days beginning with the FFY 2028 LTCH QRP (LTCH admissions beginning October 1, 2026) to give LTCHs more time to collect the required LCDS data on medically complex patients that are admitted prior to and on weekends.

Request for Information (RFI) – Quality Measures and Concepts under Consideration for Future Years

Federal Register pages 69594–69596

CMS sought input on three measure concepts under consideration for the LTCH QRP: vaccination composite, pain management, and depression. Comments received on these topics may be found on the following pages:

- Vaccination Composite (*Federal Register* page 69595)
- Pain Management (*Federal Register* page 69595)
- Depression (*Federal Register* page 69595)
- Other suggestions for Future Measure Concepts (*Federal Register* page 69596)

RFI – Future LTCH Star Rating System

Federal Register pages 69596–69597

CMS also sought feedback on the development of a five-star methodology for LTCHs that can distinguish between quality of care provided. Specifically, CMS asked for comment on:

- *“Are there specific criteria CMS should use to select measures for a star rating system?*
- *How should CMS present star ratings information in a way that it is most useful to consumers?”*

Comments received on these topics may be found on the following pages:

- Specific Criteria to use in Measure Selection (*Federal Register* page 69596)
- Presentation of LTCH Star Ratings Information (*Federal Register* pages 69596–69597)
- Other Comments Received About an LTCH Star Rating System (*Federal Register* page 69597)

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